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**SEP 12 2014**

**PUBLIC SERVICE  
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September 12, 2014

Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

**RE: Contracts between Kentucky Utilities Company and American Municipal Power, Inc.**

Dear Mr. DeRouen:

Please accept for filing the attached contracts between Kentucky Utilities Company ("KU") and American Municipal Power, Inc. ("AMP") concerning KU's retail electric service to AMP's Meldahl Hydroelectric Generating Station ("Meldahl").

Meldahl is a run-of-the-river hydroelectric generating station on the Kentucky side of the Ohio River at Foster, Kentucky, in KU's retail service territory. KU is currently providing retail construction power to Meldahl under its standard tariff rates. Meldahl is designed and constructed to largely self-supply its own station power requirements through the operation of its generation facility when it begins commercial operation.

Meldahl's transmission interconnection for its generator output is with Duke Energy Ohio, Inc. ("Duke"). PJM Interconnection L.L.C. ("PJM") will provide electric transmission service to Meldahl, which interconnects to the portion of the PJM transmission system owned by Duke.

Meldahl is now moving from its construction phase to its testing-and-commissioning phase, which will begin this month and continue for about three months. When Meldahl completes testing and commissioning, it will begin commercial operation, synching to the grid and producing power.

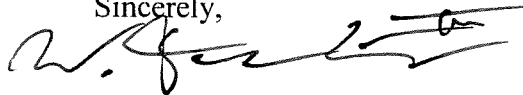
Beginning with Meldahl's testing-and-commissioning phase and continuing for the life of the facility, Meldahl will from time to time draw power across the transmission facility interconnected with Duke, which energy will be for ultimate consumption at Meldahl, not for resale to another party. This energy consumption will occur when Meldahl's generating units are not supplying sufficient energy to meet the generating station's needs.

AMP has requested that KU provide back-up power facilities to meet Meldahl's energy needs when Meldahl is not producing sufficient energy to supply the station's needs and when the transmission connection between Meldahl and Duke also is not supplying energy sufficient to meet Meldahl's needs. KU has agreed to supply the requested back-up service under the attached contract titled, "Contract for Back-Up Electric Service." Under that contract, KU will supply 800 kW of back-up service under standard Rate TODP (Time-of-Day Primary) and Rider SS (Supplemental or Standby Service).

Concerning the energy Meldahl consumes that is drawn from the transmission facility interconnected with Duke ("back-feed energy"), KU and AMP have entered into the attached Special Contract for Retail Transmission Service. Under that contract, KU will charge AMP the non-energy and non-fuel charges of its Retail Transmission Service Standard Rate (Rate RTS) for the back-feed energy. Both parties agree this arrangement respects KU's exclusive retail service rights under Kentucky Revised Statutes 278.018 for the territory where Meldahl is located while acknowledging it would be economically impracticable for KU actually to provide the back-feed energy; instead, AMP will purchase the actual back-feed energy Meldahl consumes according to the applicable rules, policies, and practices of PJM.

Please contact me if you have any questions concerning these contracts.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Duncan Crosby III", with a stylized flourish at the end.

W. Duncan Crosby III

WDC/ec